

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## United Arab Emirates

### Food Processing Ingredients

## UAE FOOD PROCESSING SECTOR 2010

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**Report Highlights:**

The food processing sector accounts for over 40 percent of the industrial investment outside of the oil and gas sector in the UAE. The number of firms involved in food and agricultural processing increased from 225 in 2003 to 359 in 2008. This sector represents a growing opportunity for suppliers of bulk and intermediate products.

**Post:**  
Dubai

**Executive Summary:**

**Table of Contents**

**SECTION I. MARKET SUMMARY**

**SECTION II. ROAD MAP FOR MARKET ENTRY**

- A. ENTRY STRATEGY
- B. MARKET STRUCTURE
- C. COMPANY PROFILES
- D. SECTOR TRENDS

**SECTION III. COMPETITION**

**SECTION IV. BEST PRODUCT PROSPECTS**

**SECTION V. POST CONTACT AND FURTHER INFORMATION**

**SECTION I.  
MARKET SUMMARY**

The population of the United Arab Emirates (UAE) is estimated at 5.0 million with an annual growth rate of 3.7 percent. The per capita GDP is one of the world's highest estimated at \$45,200 in 2008. A harsh climate limits agricultural production to dates and limited quantities of fruits, vegetables, forage, poultry, dairy and livestock. The UAE is dependent on imports for 85-90 percent of its food needs.

The UAE economy continues to rely on revenues generated from oil exports, principally from the Emirate of Abu Dhabi. The UAE, in particular the Emirate of Dubai has worked to diversify its economy with investment in free trade zones that serve as re-export and light manufacturing hubs. Tourism, services, construction and real estate are also important sectors.

Cumulative investment in food processing reached \$9 billion through 2008, accounting for nearly half of the \$21 billion in investment outside of the oil and gas sector. Other industries in this category include textile, apparel & leather, wood products and furniture, paper products, printing and publishing, chemical and plastic products, non-metallic and basic metallic mineral products, fabricated metal and

equipment and other manufacturing industries. Between 2003 and 2008, the number of food, beverage & tobacco processing facilities grew from 225 to 359. Nevertheless, the value of imports of processed foods continues to exceed the value of raw materials for further processing by a significant margin.

While food processors often started small, the UAE’s strategic location, excellent ports, and strong infrastructure have helped many to expand. Industries such as flour and feed milling, soybean crushing, meat processing, dairy processing, soft drinks, fresh juice production, vegetable preparation and canning and snack food production are currently able to compete with industries and products in the Middle East and Asia. A number of international companies and brands are currently producing in the UAE, utilizing their own facilities or co-packing with other existing processing facilities.

Processors depend nearly exclusively on imports for sourcing their raw materials, which has opened new export opportunities for U.S. suppliers of high quality bulk and intermediate food products in light of the limited local agricultural production.

Seafood processing is another rising industry. Processors utilize seafood products caught locally or others imported from Oman, India and Iran. The U.S., Europe and other Asian countries are the principle importers of U.A.E. processed seafood products.

*Table -1: Number of major establishments In the Food Processing Sector*

<b>Type of Food Production</b>	<b>Number of Firms</b>
Bakeries & Sweets	48
Biscuits	12
Bread Industry	13
Candy	11
Chocolate	10
Dairy Products	8
Dates	13
Edible Oil Refining/Packaging	5
Flour Milling	4

Fodder Industry	13
Frozen Pastries	4
Fruits/Vegetables Processing	11
Ice Cream	8
Grains & Seeds Processing/Packing	17
Ice Making	23
Juices	13
Mayonnaise & Vinegar	4
Meat Processing	22
Pasta & Noodles	5
Pies & Desserts	7
Poultry Meat	14
Pop Corn & Potato Chips	12
Rice Peeling/Whitening/Polishing	3
Salt Refining/Packing	4
Seafood Processing	18
Sesame Sweets	3
Sesame Treatment & Packing	3
Soft Drinks	12
Spices Packing	8
Sugar Refining	1
Table Eggs	4
Tea Mixing & Packing	6

Water Treating/Bottling	41
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*Source: Ministry of Economy and ATO Estimates*

Some locally produced foods are of very high quality with competitive prices compared to imported products. As the number of food processing companies in UAE continues to increase, locally produced products are likely to compete directly with imports of consumer-ready foods, while boosting demand for ingredients and other raw materials.

### **KEY MARKET DRIVERS FOR FOOD PROCESSING**

- The UAE is an important regional hub with significant food re-exports to the Gulf Cooperation Countries (GCC) of Bahrain, Kuwait Oman, Qatar and Saudi Arabia, East Africa and the CIS countries.
- The Government of the UAE is seeking opportunities to expand light manufacturing and exports and food processing is consistent with this strategy.
- There are growing concerns about food security in the region and the UAE could become an important regional processing and storage center for bulk, semi-processed and consumer-ready foods with the aim of boosting the availability of food supplies and storage.

*Table - 2: Advantages and Challenges Facing U.S. Products  
in the U.A.E. Food Processing Sector*

<b>Advantages</b>	<b>Challenges</b>
Good reputation of U.S. juices sparks demand for high quality U.S. juice concentrates	Competition from locally produced juice concentrates
U.S. bulk soybean and corn oils are in great demand for further refining and packaging	Competition from other suppliers
Increasing demand for joint ventures with U.S. manufacturers to achieve high quality end products	Distance from United States creates opportunities for regional suppliers
U.S. origin products tend to use high quality ingredients and state of the art packaging	Locally produced and labeled products will have an advantage over similar imported products and face fewer shelf-life and labeling hurdles.

## **SECTION II.**

## ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

While food processors are always looking for high quality food ingredients for their production, intense competition means that they must also balance cost considerations. Firms should be prepared to talk about the advantages of high quality and consistency and how those factors offset higher prices or freight costs for US products.

The following provides some basics when considering how to enter the UAE marketplace:

- Study the market. This may seem like obvious advice, but importers often note that U.S. suppliers lack understanding of local market conditions and needs.
- Serious companies should visit the region. It is the single most important step a U.S. company should take. Letters and e-mails alone will not suffice. Business relationships are very important in this region.
- Target reliable importers. The Agricultural Trade office in Dubai (ATO) can assist with providing background about local companies. Fax: +971-4-311-6189, E-mail: [atodubai@fas.usda.gov](mailto:atodubai@fas.usda.gov)
- Be prepared to discuss product price, preferably on a C&F basis.
- Participate in major food shows in the UAE:
- *GULFOOD* [www.gulfood.com](http://www.gulfood.com): held every year in Dubai. Gulfood has grown to be the largest trade show in the region. The largest national pavilion on the show floor is that of the United States, with a total of 110 exhibitors and a reported \$27.3 million in on-site sales in 2010.
- *INGREDIENTS MIDDLE EAST* [www.ingredientsme.com](http://www.ingredientsme.com) a specialized show for suppliers of ingredients and raw materials for food processors. It runs alongside the Gulfood show in Dubai.
- *SIAL MIDDLE EAST* [www.sialme.com](http://www.sialme.com) : will take place in the capital city Abu Dhabi. This is the first edition of the SIAL show in the Middle East.

Other food related shows in UAE though relatively smaller but more specialized:

- *GOURMET 2010* – The Speciality And Fine Food Show, Organized by the Dubai World Trade

Centre, 31 October-2 November, 2010. This is a new trade show in Dubai, held alongside The Speciality Food Festival, a series of dedicated food shows as follows:

*SEAFOOD 2010* : Harvesting the Ocean's Bounty  
*HALAL SHOW* : Halal Food in Focus  
*ORGANIC SHOW* : Food For Thought. Food for Life  
*SWEETS MIDDLE EAST/*  
*SNACKS MIDDLE EAST* : Sweets and Snacks in Focus

- *PRIVATE LABEL MIDDLE EAST* – FMCG, Private Label and Contract Manufacturing Show  
[www.privatelabelmiddleeast.com](http://www.privatelabelmiddleeast.com)

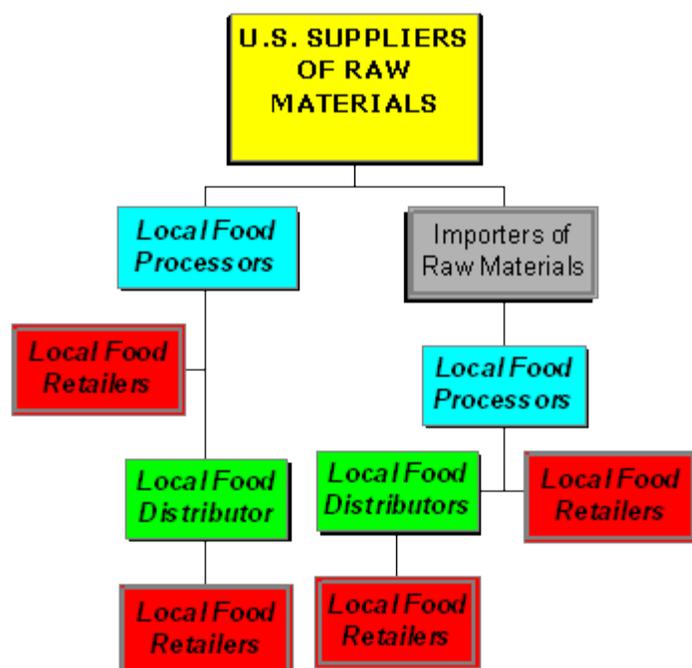
For more details on the shows please contact ATO Dubai.

- Stress USA quality. Local consumers are increasingly aware that "Made in the USA" is synonymous with high quality.

## **B. Market Structure**

The flow of raw materials from the foreign supplier to the local processor runs through a typical channel. Food processors may import their requirements of raw materials directly or through a middleman. Final products may be channeled to the retailers and consumers directly from the producing company, or through an appointed specialized food distributor.

### **Distribution Channels in the U.A.E.**



### C. Company Profiles

Table - 3: Major Food Processors in the U.A.E.

Company (Product Types)	Production		Procurement Channels
	End-Use channels	Location	
Al Ghurair Foods (Pasta, Noodles, Flour, Eggs, Edible Oil, Soya, Beans, Pulses)	Retail/HRI/Export	Dubai, UAE	Direct Import/Local
Al Jadeed Bakery (Bakery Ingredients)	Retail/HRI	Dubai, UAE	Direct Import
Al Kabeer Group of Co. (Meat, Poultry, Seafood)	Retail/HRI/Export	Dubai, UAE	Direct Import
Al Rawabi (Dairy products, Juices)	Retail/HRI/Export	Dubai, UAE	Direct Import/Local
Best Food Company LLC (Nuts/Snacks, Chocolates)	Retail/HRI/Export	Dubai, UAE	Direct Import
Emirates Grain Co. (Grains)	Retail/HRI/Export	Sharjah, UAE	Direct Import
Emirates Meat LLC (EDAM) (Meat, Poultry)	Retail/Export	Dubai, UAE	Direct Import/Local
Emirates Refining Co. Ltd. (Edible Oil)	Retail/HRI/Export	Sharjah, UAE	Direct Import
Empire Foods (Juices)	Retail/HRI/Export	Dubai, UAE	Direct Import
International Foodstuffs Co. (IFFCO)	Retail/HRI/Export	Sharjah,	Direct

(Frozen Meat, juices, Chocolate, Ice Cream, Biscuits)		UAE	Import/Local
Magenta Fish & Seafood Supply LLC (Seafood)	Retail/HRI/Export	Sharjah, UAE	Direct Import/Local
Masafi Co. LLC (Water, Juices, Potato Chips)	Retail/HRI/Export	Dubai, UAE	Direct Import/Local
Modern Bakery LLC (Bakery Ingredients)	Retail/HRI	Dubai, UAE	Direct Import/Local
Strategic Food International (Biscuits)	Retail/HRI/Export	Dubai, UAE	Direct Import/Local
United Kiapara Dairies Co. PSC (UNIKAI) (Juices, Dairy products, Rice, Ice Cream, Frozen Vegetables)	Retail/HRI/Export	Dubai, UAE	Direct Import/Local

#### **D. Sector Trends**

The number of firms in the food processing sector continues to expand and the sector could benefit from possible efforts to expand the UAE's role in the storage, transport and processing of basic commodities. Similarly, U.S. companies are coming to the UAE in record numbers in search of export opportunities which could lead to new sector opportunities.

Though not happening yet in a large scale, processing opportunities for low fat, natural, organic and gourmet food items could increase and open new opportunities for US companies.

### **SECTOR III.**

#### **COMPETITION**

Many types of locally produced foods are gaining in popularity and establishing strong brands in the areas of juices, bakery products, pasta, canned beans, processed meats, snack foods and biscuits. There are several advantages for locally produced foods over the imported. They are:

1. Less expensive
2. Fresh stocks are available essentially daily
3. Reduce companies' needs for large warehousing
4. Avoid the condition of minimum orders
5. Avoid labeling issues which frequently occur with imported products
6. Avoid long shipping periods

Despite the stiff competition from local and imported food products, U.S. agricultural exports to the UAE have doubled over the past four years. U.S. origin consumer ready products are recognized as high quality products for which demand continues to be strong.

Ingredients that are required for the production of soft drinks under license from some U.S. companies have to be imported from the United States to meet the high quality control standards. Juice concentrates such as orange and apple are often imported from cheaper sources, but similar U.S. products are still in demand for their high quality.

Given the need to import raw materials, the high cost of electricity, and high cost of recruiting skilled manpower, ATO Dubai expects that the UAE will continue to be a major importer of consumer ready foods. Nevertheless, local food processing could eventually account for 25 percent of the food consumed in the UAE given the size and growth of the industry.

**Locally processed foods are made primarily from imported ingredients. In many cases, the U.S. is a significant supplier of those imported ingredients.**

<b>Product Category</b>	<b>Major Supply Sources in 2008 % based on volume</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages &amp; Disadvantages of Local Suppliers</b>
<b>Beef</b>  Net imports: 72,350 MT  U.S.A. 2,165 MT U.S. \$20.2 million	1. India: 59%  2. Brazil: 17%  3. Australia: 9%  4. USA 3%  5. New Zealand 3%	<b>India:</b> Really buffalo meat instead of beef, price competitive, negligible freight cost due to proximity.  <b>Brazil:</b> Price competitive  <b>Australia:</b> Competitively priced and strong marketing efforts.	No local production.
<b>Poultry</b>  Net imports: 263,235 MT  U.S.A. 33,975 MT	1. Brazil: 73%  2. USA: 13%  3. France: 7%	<b>Brazil:</b> Competitively priced.	Local chicken is known for high quality, yet expensive. Financially capable consumers desire it for their trusted Halal slaughtering.

U.S. \$47.6 million	4. Oman: 2%		
<b>Powdered Milk</b> Net imports: 71,554 MT U.S.A. 593 MT U.S. \$2.1 million	1. New Zealand: 20% 2. India: 14% 3. Netherlands: 13% 4. Australia: 13% US market share: Negligible	<b>New Zealand:</b> Aggressive marketing has helped NZ to establish a solid market for its dairy products. <b>India:</b> Lower prices for products and freight <b>Netherlands:</b> Lower prices and good marketing practices. <b>Australia:</b> Competitive pricing and focus on region.	Fresh milk is available at higher prices. Reconstituted dairy products are cheaper and reach wider consumer base.
<b>Rice</b> Net imports: 1,357,040 MT U.S.A. 5,860 MT U.S. \$6.2 million	1. India: 57% 2. Pakistan: 31% 3. Thailand: 10% US market share: Negligible	<b>India:</b> Proximity and strong consumer demand for basmati rice. <b>Pakistan:</b> Large expat population that seeks basmati and certain long grain varieties, proximity to the UAE. <b>Thailand:</b> Favored by some expatriate groups and has good reputation for quality.	No local production.
<b>Chocolates</b> Net imports: 49,965 MT U.S.A. 2,759 MT U.S. \$12 million	1. Netherlands: 24% 2. Italy: 10% 3. Turkey: 9% 4. UK: 9% US market share: 6%	<b>Netherlands &amp; Italy:</b> Reputation for good quality, strong marketing program. <b>Turkey:</b> Proximity, competitive pricing. <b>U.K.:</b> Traditional supplier with broad name recognition.	Locally produced is generally cheaper. Could be expensive if of high quality. Imported chocolate is known for its high quality.

<p><b>Confectionery</b></p> <p>Net imports: 44,983 MT</p> <p>U.S.A. 450 MT U.S. \$1.7 million</p>	<p>1. China: 15%</p> <p>2. Vietnam: 14%</p> <p>3. Colombia: 7%</p> <p>4. Saudi Arabia: 7%</p> <p>US market share: Negligible</p>	<p><b>China:</b> Competitively priced.</p> <p><b>Vietnam &amp; Colombia:</b> Competitively priced.</p> <p><b>Saudi Arabia:</b> Proximity.</p>	<p>Mostly imported. Locally produced is lower in quality and price.</p>
<p><b>Fresh Vegetables</b></p> <p>Net imports: 794,098 MT</p> <p>U.S.A. 3,345 MT U.S. \$8.4 million</p>	<p>1. India: 29%</p> <p>2. Jordan: 15%</p> <p>3. Saudi Arabia: 13%</p> <p>4. Iran: 10%</p> <p>5. China 9%</p> <p>US market share: Negligible</p>	<p><b>India, Jordan, Saudi Arabia and Iran:</b> Proximity, competitively priced, wide variety.</p> <p><b>China:</b> Competitively priced, especially for certain products.</p>	<p>Seasonal local production competes with products imported from major supplying countries.</p>

*Note:* Data provided above are based on trade statistics and ATO estimates

## SECTION IV.

### a. Products Present in the Market with Good Sales Potential

- Almonds
- Beverage Bases
- Bulk Edible Oils
- Bulk Milk Powder
- Juice Concentrates
- Milled Rice
- Certain cuts of poultry

### b. Products Not Present in Significant Quantities but with Good Sales Potential

- Peanuts
- Ice Cream Powder
- Baking Ingredients
- Bulk Chili Sauce
- Butter
- Flavors and food additives
- Dried Beans and Pulses
- Chocolates
- Fruit Pie Fillings

## **SECTION V.**

### **POST CONTACT AND FURTHER INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting to the United Arab Emirates or the other markets covered by this office (Bahrain, Kuwait, Oman and Qatar), please contact the U.S. Agricultural Trade Office in Dubai at the following address:

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